Weekly Economic Review

Energy costs keep prices in check

Consumer Price Index

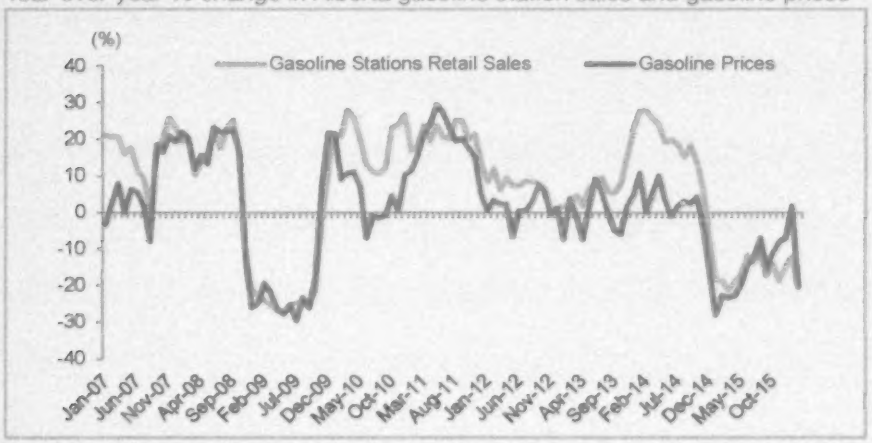
Low energy prices moderate inflation

Alberta consumer prices rose 1.5% year-over-year (y/y) in March, up from 1.4% in February. Households continue to benefit from declining energy prices (-7.7% y/y) and slowing shelter demand, which has driven down rent (-0.4% y/y). Weakness in the Canadian dollar, though, continued to lift consumer prices for categories with high import content. The inflation rate remained elevated for many goods, including food (+2.8%), household equipment (+6.0%), passenger vehicles (+4.5% y/y) and alcoholic beverages and tobacco (8.5%). Excluding energy, inflation was up 2.2% y/y.

Canadian consumer prices were up 1.3% y/y in March. Core inflation, which excludes the eight most volatile components, was 2.1%.

Chart 1: Gas prices dragging down gas station sales

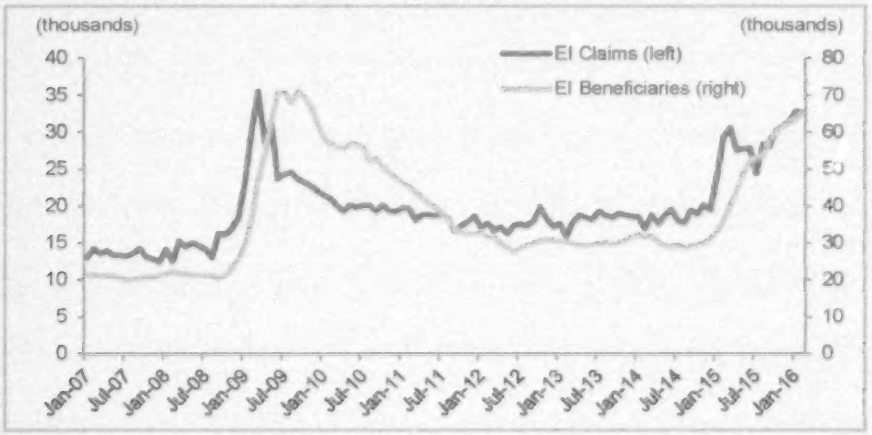
Year-over-year % change in Alberta gasoline station sales and gasoline prices



Source: Statistics Canada

Chart 2: Employment Insurance claims ease

Alberta Employment Insurance Claims and Beneficiaries



Source: Statistics Canada

Retail Sales

Lower gas prices still weighing on sales

Alberta retail sales continued to slip in February, falling 0.4% to $6.1 billion, which was the lowest level in almost three years. Sales were down 1.8% compared with February 2015 mainly due to lower gasoline prices (Chart 1), dragging down gasoline station sales (-21% y/y). Excluding gasoline stations, retail sales were up 3.3% y/y, the first year-over-year increase since March 2015. After weak sales throughout 2015, motor vehicle and parts dealers saw year-over-year growth of 4.7% in February. Also contributing to growth were sales from health and personal care stores, which were up 30% y/y.

Employment Insurance

Fewer claims a welcome change

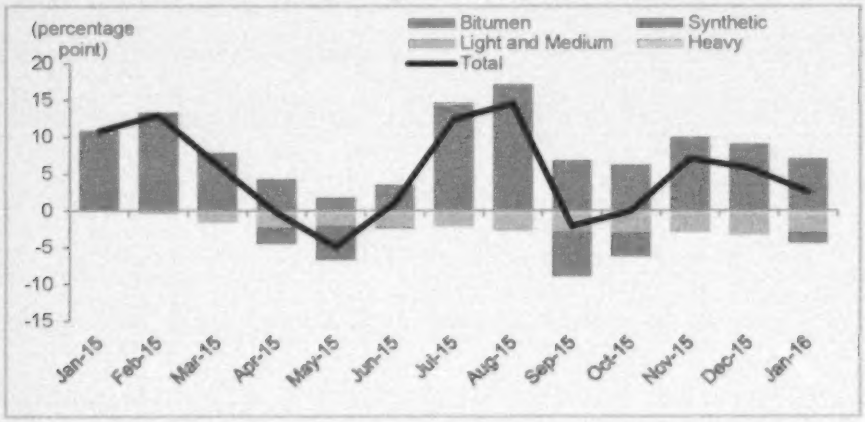
After rising for four months, Employment Insurance (EI) claims declined by 100 to 32,740 in February (Chart 2). However, claims remained elevated, which caused the number of regular EI beneficiaries to rise to 65,140. This is more than double the level from the end of 2014. The number of beneficiaries increased in nearly every region, with Calgary and Edmonton each accounting for one-third of beneficiaries. Wood Buffalo was the only region where the number of continuing beneficiaries fell (-110).

Supply and Disposition of Crude Oil

Bitumen supporting growth

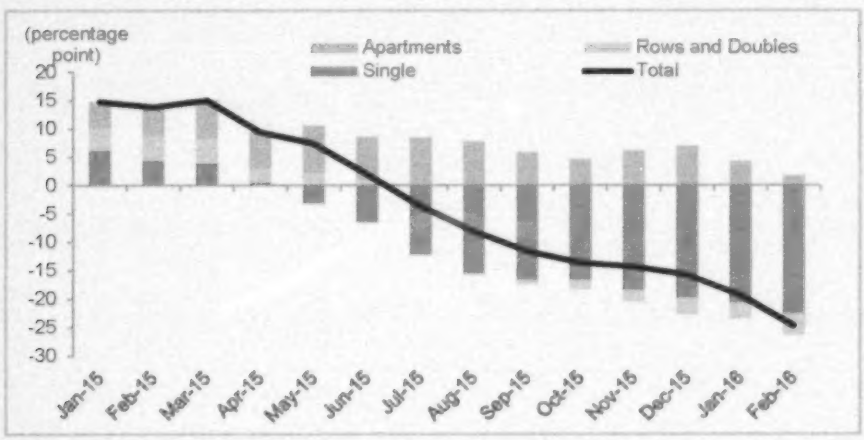
Alberta's oil production was 3.1 million barrels per day in January 2016, virtually unchanged from December but up 2.5% y/y. This growth was driven by increased bitumen (Chart 3). Synthetic crude output was down year-over-year for the first time since October. The more price-sensitive conventional production continued to fall, down over 15% from a year earlier. Natural gas production was down about 9% y/y to 9.4 million cubic metres.

Chart 3: Bitumen continuing to drive oil production growth
Contribution to year-over-year change in Alberta crude oil production



Source: Statistics Canada

Chart 4: New housing investment continues to decline
Contribution to year-over-year change in Alberta new housing investment



Source: Statistics Canada

New Housing Investment

Broad-based weakness in new housing construction

Alberta new housing investment totaled $682 million in February, a 25% decline from February 2015. The drop was mostly due to a 36% y/y decline in single-unit investment, which fell to the lowest level in almost five years (Chart 4). Investment in multi-unit dwellings fell year-over-year for the first time since 2010, as modest apartments growth was more than offset by lower investment in rows and doubles.

Nationally, investment in new housing grew 5.4% y/y, driven by strong growth in Ontario and BC.

Wholesale Trade

Sales near five-year low

Alberta wholesale trade came in at $6.2 billion in February 2016, dropping 11% y/y to the lowest level since September 2011. The decline was mainly attributable to machinery and equipment sales, which dropped 18% y/y. In particular, sales of industrial machinery were down sharply owing to the slowdown in energy investment. Building supplies and motor vehicles and parts sales fell 12% y/y and 9.5% y/y. These declines were more than enough to offset sales gains in household goods and food, beverages and tobacco.

Wholesale trade totalled $50.2 billion in Canada, a 6.7% year-over-year increase. However, the resource producing provinces of Alberta, Saskatchewan and Newfoundland and Labrador all saw substantial declines.

Contact

Kailer Mullet 780.427.7391

Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.